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SUBJECT: PERU: PRESIDENT GARCIA AT 100 PLUS DAYS

REF: A. LIMA 4451  
[1](#)B. LIMA 4519

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Summary:  
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[1](#)1. (SBU) President Garcia's political skills have lent Peru a stability that the country has not enjoyed for several years. While the APRA lost badly in the 11/19 regional elections, some argue that Garcia now can control a divided field of regional presidents and use the results to stave off patronage pressures from his own party. Others maintain that Garcia will have to work with a mixed bag of regional presidents, many of them anti-free market radicals. While Garcia's nods to populism have worried some observers and his government is not likely to pilot much-needed state reforms, he is enjoying a longer honeymoon than most observers expected. End Summary.

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The Pros in Charge  
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[1](#)2. (SBU) President Alan Garcia and his government have passed the first key mark of their administration, the country's November 19 regional and municipal elections. Although his APRA party fared poorly, Garcia's position remains strong. For the moment, there is no organized opposition to the President. Though they have slipped in recent weeks, his poll numbers remain in the high 50s (still higher than his support in the second round of the election), and his former rival, Ollanta Humala, has all but disappeared. No solid anti-Garcia or anti-Government Congressional bloc has emerged in the Congress. Instead, the ruling APRA party has led different coalitions on an issue-by-issue basis, which has helped the government manage the legislature. All told, Peru under Garcia has enjoyed a stability and relative tranquility that it hadn't seen during years immediately prior.

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Regional Governments as Foil?  
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[1](#)3. (U) APRA's heavy losses in the 11/19 regional and municipal elections -- the party went from controlling twelve Regional Presidencies down to only three -- create a new political panorama that presents both opportunities and

challenges to the GOP (ref A). While a manifest blow to the party's national standing, there may be a silver lining. Some have argued that APRA's loss is Garcia's gain, since the party must now depend more than ever on the President. Moreover, the drubbing APRA took may enable the President to stave off patronage pressures from party regulars. Garcia can argue that handing out government positions to technically unqualified political supporters (as he did during his first term as president) would be political suicide in the face of a wary electorate.

14. (SBU) The President has already shown how he might use regional governments as foils. In the context of the government's accelerated decentralization program (ref B), Garcia is seeking to shift both responsibility and (importantly) blame for problems and shortcomings away from the central government, and on to regional and municipal governments. A recent high profile event on child malnutrition is illustrative. In his public remarks, President Garcia laid the blame for inadequate nutritional programs squarely on regional governments, which he said had a narrow "bricklayer" mentality, i.e. a tendency to invest in (often poorly managed and slow starting) infrastructure projects rather than in helping the country's poorest and most needy. Garcia commented acidly that if children in the regions could vote, regional governments would invest more to improve their diets.

15. (SBU) Some disagree with the wisdom of this approach. Former Interior Minister Fernando Rospigliosi told Polcouns on 11/30 that while Humala himself had disappeared, the sentiments that fueled his movement had not, and that many of the new regional presidents and local mayors shared Humala's radical values. The central government's push for rapid decentralization, combined with inexperience and lack of capacity at the regional and municipal government levels, could generate and even exacerbate program failures. Rospigliosi suggested that blame for such difficulties would inevitably blow back on the GOP, aggravating social conflicts, particularly in high-conflict zones like Ayacucho and Puno, and strengthening popular pressures on the government.

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PTPA a Challenge  
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16. (SBU) Developments on the Peru Trade Promotion Agreement (PTPA) front have also generated mounting pressures. The decision not to seek formal approval for the agreement during the U.S. congressional lame duck session has incited an early round of finger pointing in Peru. Some observers have accused the government of failing to push the agreement with sufficient vigor in Washington, while some in the Garcia Government have responded by blaming the Toledo Administration for mishandling the initial strategy. Garcia himself has generally remained positive about the legislation's prospects, and even enlisted former President Toledo to help, unthinkable several months ago. As the GOP seeks to recalibrate its approach, many observers are convinced the rejection of the PTPA would be (and be seen as) a significant defeat for Garcia and a serious blow to the economic and strategic interests of Peru and the U.S.

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On a Populist Slope? Not Yet  
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17. (SBU) Garcia's Achilles Heel could be his penchant for populism. Where President Toledo was a poor politician but a good manager, Garcia's record suggests the exact opposite: that he is a master political tactician prone to strategic blunders and indifferent to everyday administration and management. Critics have seized two recent issues to illustrate Garcia's alleged turn to populism. The first was the GOP's decision to forgive the debts of 27,000 small borrowers from the government's Materials Bank (BANMAT). The second was the proposal by an APRA representative in

Congress' Labor Commission to include in the draft labor law a provision making it almost impossible to fire workers (ref C). Following the public outcry, the government's response on both issues -- that small debtors would have to pay 50 soles (USD 16) each for the amnesty and that the labor law provision would be modified to give employers more discretion in dismissing workers -- suggests that the populist path itself will entail serious political costs for the government.

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Comment: Stability But No Great Reforms  
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18. (SBU) Many observers concede Garcia's gift for politics and the likelihood he will resist the kinds of populist impulses and pressures that led him, and Peru, down such a disastrous path in 1985-90. Hope, mingled with the government's mostly positive signals up to this point, have kept the administration's honeymoon going for longer than most analysts would have expected. At the same time, few are convinced the Garcia government has the political will or ability to embark on the kind of serious state reforms, including of the judiciary, that Peru requires to climb to the next level of political and economic development. Such a project would have a high political cost, and would mean taking on established interests, some of them embedded in the state apparatus, the government and the APRA itself -- things Garcia has generally sought to avoid.  
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